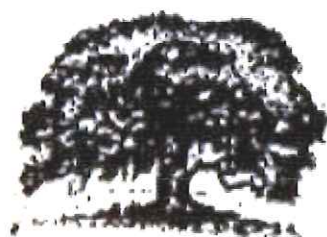


CITY OF GREY FOREST, TEXAS

ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2021**



CITY OF GREY FOREST
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

INTRODUCTORY SCHEDULE

	<u>PAGE</u>
TITLE PAGE	i
TABLE OF CONTENTS	ii
PRINCIPAL OFFICERS	iii

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	9
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
BALANCE SHEET - GENERAL FUND.....	12
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	13
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GENERAL FUND.....	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	15
NOTES TO BASIC FINANCIAL STATEMENTS.....	16
REQUIRED SUPPLEMENTARY INFORMATION.....	34
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL - GENERAL FUND.....	35
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL - GENERAL FUND.....	36
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS	37
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS.....	39
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS	40
SUPPLEMENTARY INFORMATION	41
COMPARATIVE BALANCE SHEETS – GENERAL FUND.....	42
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND.....	43

CITY OF GREY FOREST

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

MITCH THORNTON

COUNCIL

KIMBERLY VERITY

GERI POSS

SEAN SKAGGS

SUSAN DARST

JEN NOTTINGHAM

CITY SECRETARY

MIGUEL CANTU



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the City Council
City of Grey Forest, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund and the aggregate fund remaining information of the City of Grey Forest, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Grey Forest's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for (1) our adverse audit opinion on the reporting entity and business-type activities and (2) unmodified audit opinions on the governmental activities, governmental fund, and the aggregate remaining fund information of the primary government.

Basis for Adverse Opinion on the Reporting Entity

Management has not included the Utility Fund in the City of Grey Forest's financial statements. Accounting principles generally accepted in the United States of America require all funds of the City to be presented as a major enterprise fund and financial information about the utility (operating as Grey Forest Utilities) to be part of the business-type activities, thus increasing that activity's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, fund balances, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Reporting Entity paragraph, the financial statements referred to previously do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Grey Forest, as of September 30, 2021, or the changes in financial position or cash flows thereof for the year then ended.

Unmodified Opinions on the Governmental Activities, Governmental Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major governmental fund and the aggregated remaining fund information of the City of Grey Forest, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes and contributions for net pension liability and total other post-employment benefit liability as referred to in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Grey Forest's basic financial statements. The comparative fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The comparative fund statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
December 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Grey Forest's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

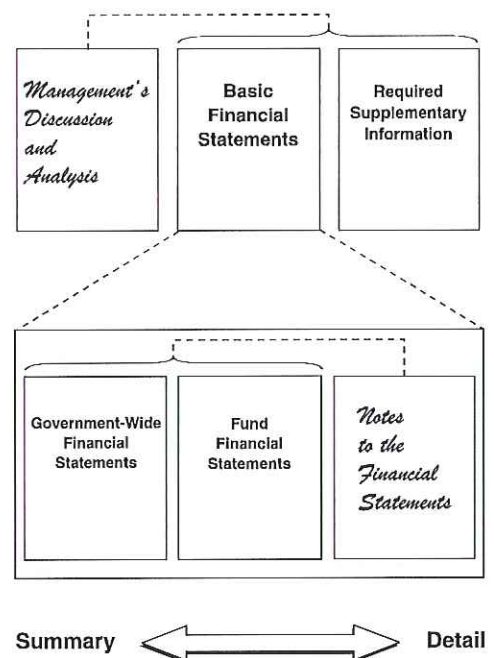
- The City's total net position was \$1.6 million at September 30, 2021.
- During the year, the City's governmental expenses were \$25 thousand less than the \$1.1 million generated in general and program revenues for governmental activities. The total cost of the City's programs increased less than 1%.
- The general fund reported a fund balance this year of \$296 thousand, an increase of \$33 thousand. The increase was attributable recovered missing deposits and cash advances from prior years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government services* were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1F, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements		
Type of Statements	Government-wide	Fund Statements Governmental Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary
<i>Required financial statements</i>	• Statement of net position	• Balance Sheet
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.
- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, fire, police, streets, and parks. Property taxes, oil royalties and charges for services finance most of these activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$1.6 million at September 30, 2021. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Percentage
	2021	2020	Change
<i>Assets:</i>			
Current Assets	\$ 475,532	377,091	26%
Capital Assets (net)	1,579,439	1,563,065	1%
<i>Total Assets</i>	<u>2,054,971</u>	<u>1,940,156</u>	6%
<i>Deferred Outflows of Resources:</i>	<u>56,537</u>	<u>84,923</u>	-33%
<i>Liabilities:</i>			
Current Liabilities	205,510	155,555	32%
Long-term Liabilities	265,954	304,532	-13%
<i>Total Liabilities</i>	<u>471,464</u>	<u>460,087</u>	2%
<i>Deferred Inflows of Resources:</i>	<u>47,106</u>	<u>50,663</u>	-7%
<i>Net Position:</i>			
Net Investment in Capital Assets	1,570,301	1,537,156	2%
Unrestricted	22,637	(22,827)	-199%
<i>Total Net Position</i>	<u>\$ 1,592,938</u>	<u>\$ 1,514,329</u>	5%

The unrestricted net position represents resources available to fund the programs of the City next year.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

Governmental Activities

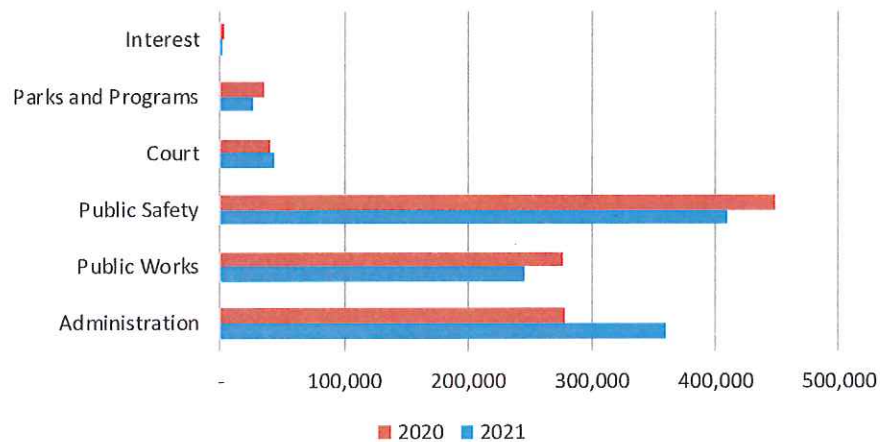
Table A-2 summarizes the changes in the City's net position for 2021 and 2020 fiscal years.

Table A-2
Changes in City's Net Position

	Governmental Activities		Percentage Change
	2021	2020	
<i>Program Revenues:</i>			
Charges for Services	\$ 46,059	\$ 32,748	41%
Operating Grants and Contributions	91,076	9,552	853%
Capital Contributions	-	-	0%
<i>General Revenues:</i>			
Taxes	110,792	104,152	6%
Grey Forest Utilities	848,542	808,135	5%
Interest Earnings	248	408	-39%
Miscellaneous	17,271	2,523	585%
TOTAL REVENUES	<u>1,113,988</u>	<u>957,518</u>	16%
<i>Program Expenses:</i>			
Administration	360,501	278,817	29%
Public Works	246,587	277,896	-11%
Public Safety	409,383	448,432	-9%
Court	43,439	40,914	6%
Parks and Programs	26,882	35,556	-24%
Interest	1,481	3,337	-56%
TOTAL EXPENSES	<u>1,088,273</u>	<u>1,084,952</u>	0%
Special Item	52,894	(40,838)	230%
Change in Net Position	<u>78,609</u>	<u>(168,272)</u>	147%
Beginning Net Position	<u>1,514,329</u>	<u>1,682,601</u>	-10%
Ending Net Position	<u>\$ 1,592,938</u>	<u>\$ 1,514,329</u>	5%

The cost of all *governmental* activities this year was \$1.1 million. Property taxpayers paid for 5% of these activities through property taxes. The majority is funded by payments from Grey Forest Utilities (78%).

City Expenses



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the City had invested \$2.4 million in a broad range of capital assets, including land, equipment, buildings, infrastructure (streets) and construction in progress. The significant addition for 2021 was vehicles. (See Table A-4.)

Table A-4
City's Capital Assets

	Governmental Activities		Total Percentage
	2021	2020	Change
Land	\$ 871,582	\$ 871,582	0%
Buildings and Improvements	622,035	603,852	3%
Vehicles and Equipment	374,162	291,446	28%
Infrastructure	483,596	483,596	0%
Totals at Historical Cost	2,351,375	2,250,476	4%
Accumulated Depreciation	(771,936)	(687,411)	12%
Net Capital Assets	<u>\$1,579,439</u>	<u>\$1,563,065</u>	1%

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

As of September 30, 2021, the City had \$9 thousand in leases for police vehicles. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt

	Governmental Activities		Total Percentage Change
	2021	2020	
Capital Leases	\$ 9,138	\$ 25,910	-65%
Total Long-Term Debt	<u>\$ 9,138</u>	<u>\$ 25,910</u>	-65%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types fell short of expenditures by \$20 thousand. However, this shortfall was covered by missing deposits and cash advances from prior years that were recovered. The General Fund ended with \$296 thousand, which is approximately 3.5 months of General Fund expenditures.

Budgetary Highlights

The City's revenues were close to budgeted projections (within \$6 thousand) and expenditures were under budget by \$181 thousand.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2021-2022 budget includes a decrease in property tax rates that will be offset by property value growth. The City anticipates another 5% growth in the Grey Forest Utility payments. The City anticipates most functions and programs will remain largely unchanged.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (210)-695-3261.



BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF GREY FOREST
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 426,246
Accounts Receivable - Ad Valorem Taxes	1,571
Accounts Receivable - Other Taxes	47,715
<i>Total Current Assets</i>	<u>475,532</u>
Capital Assets (Net)	<u>1,579,439</u>
TOTAL ASSETS	<u>2,054,971</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Outflows	52,477
OPEB Outflows	4,060
TOTAL DEFERRED OUTFLOWS	<u>56,537</u>
 LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	95,213
Accrued Wages	12,575
Accrued Compensated Absences	18,023
Accrued Interest	685
Unearned Grant Revenue	69,876
Current Portion of Capital Lease Obligations	9,138
<i>Total Current Liabilities</i>	<u>205,510</u>
 <i>Long-term Liabilities:</i>	
Net Pension Liability	245,930
Total OPEB Liability	20,024
<i>Total Long-term Liabilities</i>	<u>265,954</u>
TOTAL LIABILITIES	<u>471,464</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension Inflows	46,954
OPEB Inflows	152
TOTAL DEFERRED INFLOWS	<u>47,106</u>
 NET POSITION	
Net Investment in Capital Assets	1,570,301
Unrestricted	22,637
TOTAL NET POSITION	<u><u>\$ 1,592,938</u></u>

See accompanying notes to basic financial statements.

CITY OF GREY FOREST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions and Programs	Expenses	Program Revenues		Net Revenue
		Charges for Services	Operating Grants and Contributions	(Expense) Total Governmental Activities
Primary Government:				
Governmental Activities:				
Administration	360,501	\$ 10,538	\$ -	\$ (349,963)
Public Works	246,587	-	-	(246,587)
Public Safety	409,383	-	89,006	(320,377)
Court	43,439	33,881	-	(9,558)
Parks and Programs	26,882	1,640	2,070	(23,172)
Interest	1,481	-	-	(1,481)
Total Governmental Activities	1,088,273	46,059	91,076	(951,138)
Total Primary Government	\$ 1,088,273	\$ 46,059	\$ 91,076	
General Revenues:				
Taxes				
Ad Valorem Taxes				52,137
Franchise Taxes				29,818
Sales and Mixed Beverage Taxes				28,837
Grey Forest Utilities				848,542
Interest Income				248
Miscellaneous				17,271
Total General Revenues				976,853
Special Item - Missing Deposits and Cash Advances (See Note M)				52,894
Change in Net Position				78,609
Net Position at Beginning of Year				1,514,329
Net Position at End of Year				\$ 1,592,938

See accompanying notes to basic financial statements.

CITY OF GREY FOREST
BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2021

ASSETS

Cash and Cash Equivalents	\$ 426,246
Accounts Receivable - Ad Valorem Taxes	1,571
Accounts Receivable - Other	<u>47,715</u>
TOTAL ASSETS	<u>\$ 475,532</u>

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND FUND BALANCES**

Liabilities:

Accounts Payable	\$ 95,213
Accrued Wages	12,575
Unearned Grant Revenue	<u>69,876</u>
<i>Total Liabilities</i>	<u>177,664</u>

Deferred Inflows of Resources:

Unavailable Revenues - Property Taxes	<u>1,571</u>
---------------------------------------	--------------

Fund Balances:

Unassigned	<u>296,297</u>
<i>Total Fund Balances</i>	<u>296,297</u>

**TOTAL LIABILITIES, DEFERRED
INFLOWS OF RESOURCES AND
FUND BALANCES**

\$ 475,532

CITY OF GREY FOREST
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 296,297

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,579,439

Long-term liabilities, including bonds and capital lease payables are not due and payable in the current period and, therefore are not reported in the governmental funds. (9,138)

Net Pension Liabilities and Other post employment benefit liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.

Net Pension Liability	(245,930)	
Pension Related Deferred Outflows	52,477	
Pension Related Deferred Inflows	(46,954)	
Total OPEB Liability	(20,024)	
OPEB Related Deferred Outflows	4,060	
OPEB Related Deferred Inflows	<u>(152)</u>	(256,523)

Other liabilities are not due and payable in the current period, and therefore, not reported in the funds.

Accrued Interest	(685)	
Accrued Compensated Absences	<u>(18,023)</u>	(18,708)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized as revenue in the funds. 1,571

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,592,938

CITY OF GREY FOREST
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

REVENUES

Ad Valorem Taxes	\$ 51,693
Franchise Fees	29,818
Sales and Mixed Beverage Taxes	28,837
Grey Forest Utilities Contract	848,542
Court Fines and Fees	33,881
Licenses and Permits	10,538
Interest Income	248
Grants and Donations	91,076
Miscellaneous	18,911
TOTAL REVENUES	<u>1,113,544</u>

EXPENDITURES

Current:	
Administration	351,168
Public Works	213,808
Public Safety	385,031
Court	43,784
Parks and Programs	13,437
Capital Outlay	108,032
Debt Service:	
Principal	16,772
Interest	1,856
TOTAL EXPENDITURES	<u>1,133,888</u>

SPECIAL ITEM

Recovered Deposits and Cash Advances (See Note M)	<u>52,894</u>
Net Change in Fund Balance	32,550

BEGINNING FUND BALANCE	<u>263,747</u>
ENDING FUND BALANCE	<u><u>\$ 296,297</u></u>

See accompanying notes to basic financial statements.

CITY OF GREY FOREST
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 32,550

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	100,899	
Depreciation Expense	<u>(84,525)</u>	16,374

The issuance of long-term debt (e.g. bonds and capital leases) provide current financial resources of governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report interest expense and compensated absences when they are due and payable, while the statement of activities recognizes interest expense and compensated absences when incurred.

Principal Payments on Long-term Debt	16,772	
Change in Compensated Absences	7,483	
Change in Accrued Interest	<u>375</u>	24,630

Governmental funds report required contributions to employee pensions and OPEB as expenditures. However, in the Statement of Activities the expense for the plans are recorded based on the actuarially determined cost of the plan. This is the amount that contributions differed from the actuarially determined expense.

Pension Plan	6,518	
Other Post Employment Benefit	<u>(1,907)</u>	4,611

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>444</u>
--	------------

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 78,609

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grey Forest, Texas ("City"), was incorporated in 1962 under the provisions of the State of Texas. The City is located in Bexar County and is governed by an elected mayor and five council members. The City is a type A general law municipality. The City provides the following services: police, fire funding, public works, street maintenance, and parks.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government. The City has no component units.

Grey Forest Utilities

Grey Forest Utilities (GFU) operates the City's gas and water utilities. Although not a separate legal entity, GFU operates as such and obtains an independent audit on its financial activities annually. The City Council appoints members to the board of GFU and the City receives significant financial consideration from GFU annually. However, because the City and GFU have different facilities, management structures, and financial software, the City has chosen not to include GFU in these financial statements. Copies of GFU's annual report may be obtained by contacting GFU at 14570 Bandera Rd, Helotes TX 78023.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for the General Fund, the City's only fund.

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The government reports the following major governmental fund:

General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources. Major revenue sources include taxes and intergovernmental revenues. Primary expenditures are for general administration, public works, fire, police, and parks.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

The City reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

6. ACCOUNTS RECEIVABLE/REVENUE RECOGNITION

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2020 and past due after January 31, 2021. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are not shown net of an allowance for uncollectibles as management considers all receivables to be collectible.

7. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

8. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more and a useful life in excess of two years. Infrastructure assets include City-owned streets, water system, and sewer system. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and Improvements	15-30 years
Streets and Infrastructure	15-25 years
Vehicles and Equipment	3-10 years

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

9. COMPENSATED ABSENCES

Full-time employees earn sick and vacation leave at varying rates depending on length of service. Unused sick leave is not paid on termination and is not accrued in these financial statements. Vacation leave is paid on termination up to a maximum of 240 days. Vacation leave is accrued as incurred in the government-wide statements. However, it is only recognized on the governmental fund statements when it is due and payable.

10. UNAVAILABLE/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as unavailable revenue (a deferred inflow of resources). Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

11. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

12. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the discount. Bond issuance costs are expensed as incurred. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. PENSIONS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

14. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

15. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council has not delegated the authority for assignments to any other individuals.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

16. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE B -- DEPOSITS AND INVESTMENTS

The City maintains deposits at one local financial institution. As of September 30, 2021, the City's deposits were covered by a combination of FDIC and pledged collateral.

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2020, upon which the fiscal 2021 levy was based, was \$59.5 million (i.e., market value less exemptions).

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2021, was \$0.088441 per \$100 of assessed value. The City is generally limited to an annual increase in the maintenance and operations levy of 3.5% without requiring approval from the voters.

NOTE D -- OTHER RECEIVABLES

Other receivables for the City as of September 30, 2021 are as follows:

Sales and Mixed Beverage Tax	\$ 5,135
Franchise Tax	10,109
Grant Receivable	32,471
Missing Deposits and Cash Advances (See Note M)	116,274
Allowance for Uncollectible Amounts	<u>(116,274)</u>
Total Other Receivables	<u><u>\$ 47,715</u></u>

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE E -- CAPITAL ASSETS

Capital asset activity in the governmental funds for the year ended September 30, 2021, was as follows:

	Balance 10/1/2020	Additions	Disposals/ Transfers	Balance 9/30/2021
<i>Governmental Activities</i>				
Land	\$ 871,582	\$ -	\$ -	\$ 871,582
Buildings and Improvements	603,852	18,183	-	622,035
Vehicles and Equipment	291,446	82,716	-	374,162
Infrastructure - Roads	483,596	-	-	483,596
	<u>2,250,476</u>	<u>100,899</u>	<u>-</u>	<u>2,351,375</u>
Less Accumulated Depreciation				
Buildings and Improvements	(227,764)	(25,485)	-	(253,249)
Vehicles and Equipment	(242,342)	(33,536)	-	(275,878)
Infrastructure - Roads	(217,305)	(25,504)	-	(242,809)
	<u>(687,411)</u>	<u>(84,525)</u>	<u>-</u>	<u>(771,936)</u>
Governmental Activities, Net	<u>\$ 1,563,065</u>	<u>\$ 16,374</u>	<u>\$ -</u>	<u>\$ 1,579,439</u>

Land and Construction in Progress are not depreciated.

Depreciation was charged to the governmental functions as follows:

Public Works	33,947
Public Safety	24,246
Parks and Programs	<u>13,445</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 84,525</u>

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE F -- LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
<i>Governmental Activities:</i>					
<i>Leases:</i>					
Lease - 2018	\$ 8,271	\$ -	\$ (8,271)	\$ -	\$ -
Lease - 2019	17,639	-	(8,501)	9,138	9,138
<i>Total Leases</i>	<u>25,910</u>	<u>-</u>	<u>(16,772)</u>	<u>9,138</u>	<u>\$ 9,138</u>
Net Pension Liability	279,036	19,400	(52,506)	245,930	
Total OPEB Liability	16,358	4,332	(666)	20,024	
Compensated Absences	25,506	2,719	(10,202)	18,023	
<i>Total</i>	<u>\$ 320,900</u>	<u>\$ 26,451</u>	<u>\$ (63,374)</u>	<u>\$ 283,977</u>	

Compensated absences are subject to maximum payouts, the City estimates the compensated absences will be consumed each year. Thus, the entire liability is reported as a current liability.

NOTE G -- CAPITAL LEASE OBLIGATION

The City has one remaining leased police vehicle from the manufacturer. The lease requires four annual payments and bears interest 7.5%. The vehicle from the lease is included in capital assets and amortization of the vehicle is included in depreciation. As of September 30, 2021, the City reported costs of \$39,714 with accumulated depreciation of \$33,095. Future minimum lease payments are as follows:

Year Ending September 30,	Lease Payments
2022	\$ 9,823
Less: Amount Representing Interest	(685)
	<u>\$ 9,138</u>

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS as well as employees of Grey Forest Utilities (GFU). The City allocates 12% of the pension amounts below to the General Fund and 88% to GFU. All amounts in this footnote are presented in total (for both the governmental activities and GFU) unless otherwise stated.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. The City has elected to provide updated service credits and cost of living adjustments to retirees.

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	25
Inactive Employees Entitled to but Not Yet Receiving Benefits	16
Active employees	35
	<hr/>
	76

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

For the year ending September 30, 2021, employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The City matches at 2 to 1, offers updated service credits and cost of living adjustments. The contribution rates for the City were 15.76% and 16.53% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$52,506 (General Fund Only), and were equal to the required contributions.

Actuarial Assumptions

The City's net pension liability (NPL) was measured as of December 31, 2020 and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30%	5.30%
Core Fixed Income	10%	1.25%
Non-Core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
	<u>100%</u>	

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2020:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2019	\$ 16,086,737	\$ 13,761,438	\$ 2,325,299
Changes for the year:			
Service Cost	503,974	-	503,974
Interest	1,080,517	-	1,080,517
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(134,897)	-	(134,897)
Changes of Assumptions	-	-	-
Contributions - Employer	-	476,177	(476,177)
Contributions - Employee	-	211,500	(211,500)
Net Investment Income	-	1,044,826	(1,044,826)
Benefit Payments, Including Refunds of Employee Contributions	(662,117)	(662,117)	-
Administrative Expense	-	(6,759)	6,759
Other Changes	-	(265)	265
Net Changes	787,477	1,063,362	(275,885)
Balance at December 31, 2020	\$ 16,874,214	\$ 14,824,800	\$ 2,049,414

Sensitivity of the net pension liability (asset) to changes in the discount rate.

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability	\$ 4,368,248	\$ 2,049,414	\$ 137,639

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE H -- PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$343,104 (\$41,172 for the general fund). Also as of September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Plan		General Fund Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 69,698	\$ -	\$ 8,364	\$ -
Changes in Actuarial Assumptions	48,824	-	5,859	-
Differences Between Projected and Actual Investment Earnings	-	391,286	-	46,954
Contributions Subsequent to the Measurement Date			38,254	-
	<u>\$ 118,522</u>	<u>\$ 391,286</u>	<u>\$ 52,477</u>	<u>\$ 46,954</u>

Deferred outflows of resources in the amount of \$38,254 are related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	Total Plan	General Fund Share
2021	\$ (53,555)	\$ (6,427)
2022	47,286	5,674
2023	(223,957)	(26,875)
2024	(42,538)	(5,103)
2025	-	-
Thereafter	-	-
	<u>\$ (272,764)</u>	<u>\$ (32,731)</u>

NOTE I -- OTHER POST-EMPLOYMENT BENEFIT

The City also participates in the cost sharing single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- OTHER POST-EMPLOYMENT BENEFIT (Continued)

Similar to the pension plan, both the General Fund and Grey Forest Utilities (GFU) participate in the SDBF. The City allocates 12% of the SDBF amounts to the governmental activities and 88% to GFU. Amounts below are reported for the combined total unless stated otherwise.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. Membership in the plan at December 31, 2020, the valuation and measurement date, consisted of:

Inactive Employees or Beneficiaries Currently Receiving Benefits	20
Inactive Employees Entitled to but Not Yet Receiving Benefits	5
Active employees	35
	<u>60</u>

The SDBF required contribution rates, based on these assumptions, are as follows:

	Total SDBF Contribution Rate	Retiree SDBF Contribution Rate
For the Plan Year Ended December 31,		
2021	0.21%	0.08%
2020	0.20%	0.02%

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.00% (Based on Fidelity's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid thru the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The City's Total OPEB Liability (TOL), based on the above actuarial factors, as of December 31, 2020, the measurement and actuarial valuation date, was calculated as follows:

	Total OPEB Liability	General Fund Share
Balance at December 31, 2019	\$ 136,320	\$ 16,358
Changes for the year:		
Service Cost	6,345	761
Interest	3,828	459
Change of Benefit Terms	-	-
Difference Between Expected and Actual Experience	(1,057)	(127)
Changes in Assumptions or Other Inputs	22,038	2,501
Benefit Payments	(604)	72
Net Changes	30,550	3,666
Balance at December 31, 2020	<u>\$ 166,870</u>	<u>\$ 20,024</u>

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE I -- OTHER POSTEMPLOYMENT BENEFIT (Continued)

The following presents the TOL of the City, calculated using the discount rate of 2.00% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate 1.00%	Discount Rate 2.00%	Discount Rate 3.00%
Total OPEB Liability	\$ 203,727	\$ 166,870	\$ 138,274

For the year ended September 30, 2021, the City recognized OPEB expense of \$17,535 (\$2,104 for the general fund). Also as of September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Total Plan		General Fund Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 32,290	\$ -	\$ 3,875	\$ -
Changes in Experience	-	1,270	-	152
Contributions Subsequent to the Measurement Date			185	-
	<u>\$ 32,290</u>	<u>\$ 1,270</u>	<u>\$ 4,060</u>	<u>\$ 152</u>

Deferred outflows of resources in the amount of \$185 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the plan year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Plan Year ended December 31,	Total Plan	General Fund
2021	\$ 7,362	\$ 883
2022	7,289	875
2023	6,004	720
2024	7,409	889
2025	2,956	356
Thereafter	-	-
	<u>\$ 31,020</u>	<u>\$ 3,723</u>

CITY OF GREY FOREST
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2021

NOTE J -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to coverage limits.

NOTE K -- GREY FOREST UTILITIES

The City has created a separate board of managers (appointed by City Council) of Grey Forest Utilities (GFU), a division of the City of Grey Forest, to manage and operate gas and water utilities. GFU operates under the same taxpayer identification number and its employees are part of the City's retirement and other post-employment benefit plans. GFU remits a payment to the City's General Fund semi-annually based on a mutually agreed upon amount that generally increases 5% each year.

NOTE L -- LITIGATION

The City is in appeals over a zoning dispute with a property owner. A judgment has been awarded to the property owner requiring the City to reimburse the property owner \$76,763 in legal fees. This amount is recorded as a payable on these financial statements. However, the City intends to appeal the decision and believes the judgment will be overturned. The City could be liable for additional fees of up to \$50,000 for the defendant if appeals proceed and if decided adversely to the City.

NOTE M -- SPECIAL ITEM

In prior years, certain cash receipts, deposits and cash advances on credit cards were missing for a total of \$169,169. During the year ending September 30, 2021, the City recovered \$52,894, which is reported as a special item. The City is involved in discussions with bonding agencies, insurance carriers and law enforcement to recover the remaining funds.



REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes - Net Pension Liability and Related Ratios
- Schedule of Contributions – Defined Benefit Pension Plan
- Schedule of Changes – Total Other Post-Employment Benefit Liability and Related Ratios

CITY OF GREY FOREST
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual	
	Original	Final	Amounts	Variance
REVENUES				
Ad Valorem Taxes	\$ 51,448	\$ 51,448	\$ 51,693	\$ 245
Franchise Fees	27,000	27,000	29,818	2,818
Sales and Mixed Beverage Taxes	27,000	27,000	28,837	1,837
Grey Forest Utilities Contract	848,541	848,541	848,542	1
Court Fines and Fees	37,540	37,540	33,881	(3,659)
Licenses and Permits	7,500	7,500	10,538	3,038
Interest Income	1,200	1,200	248	(952)
Grants and Donations	105,386	105,386	91,076	(14,310)
Miscellaneous	2,202	2,202	18,911	16,709
TOTAL REVENUES	<u>1,107,817</u>	<u>1,107,817</u>	<u>1,113,544</u>	<u>5,727</u>
EXPENDITURES				
<i>Current:</i>				
Administration				
Personnel	147,697	147,696	100,136	47,560
Services	81,387	170,729	202,830	(32,101)
Operating Costs	39,472	39,472	48,202	(8,730)
Public Works				
Personnel	161,417	161,417	118,672	42,745
Services	56,718	56,718	54,578	2,140
Operating Costs	32,750	32,750	40,558	(7,808)
Public Safety				
Personnel	290,130	260,130	267,404	(7,274)
Services	5,004	5,004	5,124	(120)
Operating Costs	41,282	41,283	47,023	(5,740)
Fire Contract	57,874	57,874	65,080	(7,206)
Health Authority	300	300	400	(100)
Emergency Management	721	721	-	721
Court				
Personnel	38,481	38,481	40,254	(1,773)
Operating Costs	7,762	7,762	3,530	4,232
Parks and Programs				
Operating Costs	22,094	24,910	13,437	11,473
Capital Outlay	250,885	250,885	108,032	142,853
Debt Service:				
Principal	16,772	16,772	16,772	-
Parks	1,856	1,856	1,856	-
TOTAL EXPENDITURES	<u>1,252,602</u>	<u>1,314,760</u>	<u>1,133,888</u>	<u>180,872</u>
SPECIAL ITEM				
Recovered Deposits and Cash Advances	-	-	52,894	52,894
NET CHANGE IN FUND BALANCE	(144,785)	(206,943)	32,550	239,493
BEGINNING FUND BALANCE	263,747	263,747	263,747	-
ENDING FUND BALANCE	<u>\$ 118,962</u>	<u>\$ 56,804</u>	<u>\$ 296,297</u>	<u>\$ 239,493</u>

CITY OF GREY FOREST
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
SEPTEMBER 30, 2021

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF GREY FOREST
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES - NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN PLAN (CALENDAR) YEARS

Total Pension Liability			
	2014	2015	2016
Service Cost	\$ 303,396	\$ 377,857	\$ 444,522
Interest (on the Total Pension Liability)	741,666	813,295	855,864
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	452,896	139,397	(404,339)
Change of Assumptions	-	106,391	-
Benefit Payments, Including Refunds of Employee Contributions	(604,753)	(419,102)	(399,490)
Net Change in Total Pension Liability	893,205	1,017,838	496,557
Total Pension Liability - Beginning	10,745,911	11,639,116	12,656,954
Total Pension Liability - Ending	<u>\$ 11,639,116</u>	<u>\$ 12,656,954</u>	<u>\$ 13,153,511</u>
Plan Fiduciary Net Position			
	2014	2015	2016
Contributions - Employer	\$ 398,212	\$ 379,294	\$ 405,506
Contributions - Employee	157,485	167,617	186,774
Net Investment Income	535,876	14,531	674,591
Benefit Payments, Including Refunds of Employee Contributions	(604,753)	(419,102)	(399,490)
Administrative Expense	(5,594)	(8,851)	(7,618)
Other	(460)	(438)	(410)
Net Change in Plan Fiduciary Net Position	480,766	133,051	859,353
Plan Fiduciary Net Position - Beginning	9,366,774	9,847,540	9,980,591
Net Pension Liability - Ending	<u>\$ 9,847,540</u>	<u>\$ 9,980,591</u>	<u>\$ 10,839,944</u>
Net Pension Liability - Ending	\$ 1,791,576	\$ 2,676,363	\$ 2,313,567
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.61%	78.85%	82.41%
Covered Payroll	\$ 2,249,787	\$ 2,394,530	\$ 2,668,198
Net Pension Liability as a Percentage of Covered Payroll	79.63%	111.77%	86.71%

Amounts presented above for the plan as a whole. The net pension liability is allocated 12% to the General Fund and 88% to Grey Forest Utilities. Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

Total Pension Liability			
2017	2018	2019	2020
\$ 440,474	\$ 453,462	\$ 472,376	\$ 503,974
878,892	942,584	1,005,702	1,080,517
-	-	-	-
262,719	114,745	153,713	(134,897)
-	-	85,126	-
(706,250)	(583,744)	(586,573)	(662,117)
875,835	927,047	1,130,344	787,477
13,153,511	14,029,346	14,956,393	16,086,737
<u>\$ 14,029,346</u>	<u>\$ 14,956,393</u>	<u>\$ 16,086,737</u>	<u>\$ 16,874,214</u>

Plan Fiduciary Net Position			
2017	2018	2019	2020
\$ 415,945	\$ 414,663	\$ 442,188	\$ 476,177
184,630	192,431	201,256	211,500
1,502,752	(366,376)	1,836,890	1,044,826
(706,250)	(583,744)	(586,573)	(662,117)
(7,786)	(7,080)	(10,376)	(6,759)
(395)	(370)	(311)	(265)
1,388,896	(350,476)	1,883,074	1,063,362
10,839,944	12,228,840	11,878,364	13,761,438
<u>\$ 12,228,840</u>	<u>\$ 11,878,364</u>	<u>\$ 13,761,438</u>	<u>\$ 14,824,800</u>

\$ 1,800,506	\$ 3,078,029	\$ 2,325,299	\$ 2,049,414
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87.17%	79.42%	85.55%	87.85%
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\$ 2,637,570	\$ 2,753,261	\$ 2,875,083	\$ 3,021,426
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68.26%	111.80%	80.88%	67.83%
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CITY OF GREY FOREST
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST SEVEN FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 52,506	\$ 52,506	\$ -	\$ 321,573	16.3%
2020	60,589	60,589	-	386,472	15.7%
2019	53,584	53,584	-	344,858	15.5%
2018	45,485	45,485	-	261,150	17.4%
2017	43,775	43,775	-	275,700	15.9%
2016	45,463	45,463	-	291,971	15.6%
2015	37,268	37,268	-	224,929	16.6%

Notes to Schedule of Contributions

Contributions reported above are only the General Fund contributions.
Grey Forest Utility contributions are in addition to the amounts above.

Changes in Benefit Terms:

None

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.

CITY OF GREY FOREST
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – TOTAL OTHER POST-EMPLOYMENT BENEFIT LIABILITY AND
RELATED RATIOS
LAST FOUR CALENDAR (PLAN) YEARS

	Total OPEB Liability			
	2017	2018	2019	2020
Service Cost	\$ 4,220	\$ 4,956	\$ 4,313	\$ 6,345
Interest	3,538	3,625	3,955	3,828
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	(2,521)	1,288	(1,057)
Changes in Assumptions or Other Inputs	8,603	(7,813)	22,756	22,038
Benefit Payments	(791)	(826)	(863)	(604)
Net Change in Total Pension Liability	15,570	(2,579)	31,449	30,550
Total OPEB Liability - Beginning	91,880	107,450	104,871	136,320
Total OPEB Liability - Ending	<u>\$ 107,450</u>	<u>\$ 104,871</u>	<u>\$ 136,320</u>	<u>\$ 166,870</u>
Covered Payroll	\$ 2,637,570	\$ 2,753,261	\$ 2,875,083	\$ 3,021,426
Total OPEB Liability as a Percentage of Covered Payroll	4.07%	3.81%	4.74%	5.52%

Notes to Schedule

The City allocates 12% of the liability to the General Fund and 88% to Grey Forest Utilities.
Amounts presented above are in total for the plan.

Changes in Benefit Terms: None

Changes in Assumptions: Discount Rate and Mortality.

Trust:

No assets are accumulated in a trust that meets the criteria
in paragraph 4 of Statement No. 75 to pay related benefits.

Information for this schedule is being accumulated prospectively until a rolling ten year period is available.



SUPPLEMENTARY INFORMATION

Supplementary information includes financial information not considered a part of the basic financial statements. Such information includes:

- Comparative Fund Statements – General Fund

CITY OF GREY FOREST
COMPARATIVE BALANCE SHEETS – GENERAL FUND
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 426,246	\$ 359,920
Accounts Receivable - Ad Valorem Taxes	1,571	1,529
Accounts Receivable - Other	<u>47,715</u>	<u>15,642</u>
TOTAL ASSETS	<u><u>\$ 475,532</u></u>	<u><u>\$ 377,091</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts Payable	\$ 95,213	\$ 102,002
Accrued Wages	12,575	10,215
Unearned Grant Revenue	<u>69,876</u>	<u>-</u>
<i>Total Liabilities</i>	<u>177,664</u>	<u>112,217</u>
<i>Deferred Inflows of Resources</i>		
Unavailable Property Tax Revenues	<u>1,571</u>	<u>1,127</u>
<i>Fund Balances:</i>		
Unassigned	<u>296,297</u>	<u>263,747</u>
<i>Total Fund Balance</i>	<u>296,297</u>	<u>263,747</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 475,532</u></u>	<u><u>\$ 377,091</u></u>

CITY OF GREY FOREST
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – GENERAL FUND
FOR THE YEARS ENDING SEPTEMBER 30, 2021 AND 2020

	2021	2020
REVENUES		
Ad Valorem Taxes	\$ 51,693	\$ 48,039
Franchise Fees	29,818	26,063
Sales and Mixed Beverage Taxes	28,837	29,877
Grey Forest Utilities Contract	848,542	808,135
Court Fines and Fees	33,881	26,067
Licenses and Permits	10,538	5,690
Interest Income	248	408
Grants and Donations	91,076	8,700
Miscellaneous	18,911	4,366
TOTAL REVENUES	<u>1,113,544</u>	<u>957,345</u>
EXPENDITURES		
<i>Current:</i>		
Administration	351,168	262,467
Public Works	213,808	219,762
Public Safety	385,031	409,609
Court	43,784	40,204
Parks and Programs	13,437	22,112
Capital Outlay	108,032	82,887
Debt Service:		
Principal	16,772	15,678
Interest	1,856	4,008
TOTAL EXPENDITURES	<u>1,133,888</u>	<u>1,056,727</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,344)	(99,382)
SPECIAL ITEM		
Missing Deposits and Cash Advances (See Note M)	<u>52,894</u>	<u>(40,838)</u>
NET CHANGE IN FUND BALANCE	32,550	(140,220)
BEGINNING FUND BALANCE	<u>263,747</u>	<u>403,967</u>
ENDING FUND BALANCE	<u>\$ 296,297</u>	<u>\$ 263,747</u>

